

AR50

BANKENO



Robert Brawn

BANKENO



TO THE SHAREHOLDERS

It is with some pride and satisfaction that I can report on the progress being made in those aspects of the development of the Canadian North in which we have an interest.

The agreement with Cominco concerning the Polaris lead-zinc mine outlined in the 1979 Annual Report and approved by Bankeno shareholders at the company's Annual Meeting of December 6, 1979 provides Bankeno the option to purchase a 25% royalty interest in the total net proceeds of the production of the Polaris mine or any extensions of it.

I am therefore pleased to note that progress on the construction of the mine is generally on schedule for start up in the first quarter of 1982. Capital costs are indicated to be higher than originally estimated although still within the limits of the project financing.

One important aspect of this development is the unique and ingenious method being used to build a mineral processing plant for the site.

The plant, which will be housed in a 20 metre tall building, has been constructed on a 130 metre long steel barge that will be towed down the St. Lawrence River this summer, and then north to the mine site on Little Cornwallis Island in the Arctic where it will be permanently berthed. The barge is expected to arrive at the site about August 20-25, 1981, with berthing in the first half of September. At the plant construction site at Trois Rivières, Quebec, check-out of power and process circuits is being completed prior to final tie down of equipment in preparation for the sea voyage to the North.

Erection of the permanent accommodation, while slightly behind the original schedule, will be completed in late summer in time for initial occupation by the permanent mining crews.

Excavation of the berth for the barge and construction of the dock is proceeding well and ahead of schedule due in large measure to good weather conditions this spring.

In other Arctic developments, Panarctic reported that all three new wells it drilled during the 1980 - 81 drilling season, are oil and gas discoveries. The wells are in the vicinity of Loughheed Island.

Bankeno's interest in Panarctic Oils Ltd. now stands at 1.57%, down slightly in percentage terms because of an increase in the number of issued common shares of Panarctic.

The Cisco B-66 well may be Panarctic's most important discovery to date. It was drilled on a large seismic structure and tested oil from sandstones in two separate formations, the King Christian and the Awingak, as well as flowing gas at four different depths. It is speculated the well has the potential reserves of over 159 million cubic metres of oil. A step-out well is planned for the 1981-82 drilling season to prove the oil reserves.

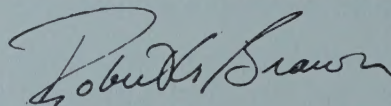
The other wells, Skate B-80 and MacLean I-72 also require additional drilling to determine the reserves involved. Skate was found productive in two zones and MacLean likewise is a dual zone oil and gas discovery. This well provided the first significant flow of gas from the Upper Triassic sandstones in the Arctic Islands and additionally the sandstones were shown to have a significant oil leg.

Panarctic is planning a step-out well for the earlier Whitefish discovery well, as it is in line with the Cisco discovery. It will be drilled in the 1981-82 season to test the oil leg found at Cisco. Two additional exploratory wells also are planned for the coming winter.

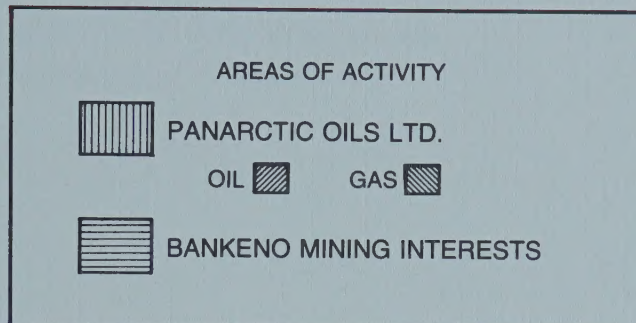
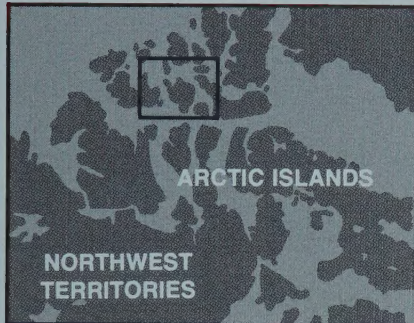
As you will note, the fiscal year end for the company has been changed to December 31st. As a result, the period covered by this report is the 15 month period October 1, 1979 to December 31, 1980.

I would like to thank our shareholders at this time for the support they have shown the Board of Directors and for their patience and faith in the company's future during past years.

On Behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "Robert G. Brawn". The signature is fluid and cursive, with the first name "Robert" being more prominent.

Robert G. Brawn
President



BANKENO MINES LIMITED

BANKENO



(Incorporated Under the Laws of Alberta)

BALANCE SHEET AS AT DECEMBER 31, 1980

(with comparative figures at September 30, 1979)

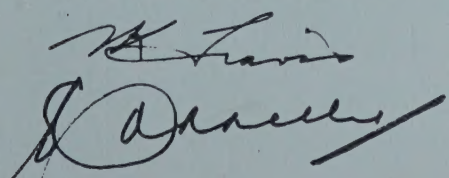
	December 31 1980	September 30 1979
ASSETS		
CURRENT ASSETS		
Cash and term deposits	\$ 6,708,781	\$ 1,646
Due from affiliated companies	89,000	—
Interest receivable	48,233	—
Total current assets	<u>6,846,014</u>	<u>1,646</u>
INVESTMENTS – at cost		
Panarctic Oils Ltd. (Notes 2 and 4)	2,776,456	2,776,456
Arvik Mines Ltd.	—	25,487
Other	—	8,489
	<u>2,776,456</u>	<u>2,810,432</u>
OIL AND GAS PERMITS –		
at cost (Notes 3 and 4)	<u>36,753</u>	<u>36,753</u>
MINING LEASES – at nominal value	<u>1</u>	<u>1</u>
DEFERRED EXPENDITURES – at cost		
Exploration and development	352,747	264,065
Administration	<u>1,136,011</u>	<u>1,885,695</u>
Total deferred expenditures	<u>1,488,758</u>	<u>2,149,760</u>
TOTAL ASSETS	<u><u>\$11,147,982</u></u>	<u><u>\$ 4,998,592</u></u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31 1980	September 30 1979
CURRENT LIABILITIES		
Bank indebtedness	\$ —	\$ 1,500,000
Accounts payable and accrued liabilities	94,157	42,058
Due to affiliated companies	142,838	432,659
Total current liabilities	236,995	1,974,717
LONG-TERM DEBT (Note 6)	3,000,000	—
DEFERRED INCOME TAXES	1,151,000	—
SHAREHOLDERS' EQUITY:		
Share Capital:		
Authorized:		
250,000 Class A Preferred Shares with a par value of \$20 each.		
6,000,000 Common Shares with a par value of \$1.00 each.		
Issued and fully paid:		
4,097,004 common shares	4,097,004	4,097,004
Deduct discount net of premiums	34,811	34,811
	4,062,193	4,062,193
Retained Earnings (deficit)	2,697,794	(1,038,318)
Total shareholders' equity	6,759,987	3,023,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$11,147,982	\$ 4,998,592

Approved by the Board:



Director:

Director:

BANKENO MINES LIMITED

BANKENO



STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 1980

GAIN ON SALE OF INVESTMENTS	\$5,055,025
DEFERRED ADMINISTRATION COSTS EXPENSED	<u>167,913</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	4,887,112
PROVISION FOR INCOME TAXES - DEFERRED	<u>1,151,000</u>
NET INCOME FOR THE PERIOD	3,736,112
DEFICIT AT THE BEGINNING OF THE PERIOD	<u>(1,038,318)</u>
RETAINED EARNINGS AT THE END OF THE PERIOD	<u>\$2,697,794</u>
EARNINGS PER SHARE	<u>\$.91</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 1980

(with comparative figures for the twelve months ended September 30, 1979)

	December 31 1980	September 30 1979
WORKING CAPITAL PROVIDED		
Proceeds from sale of Arvik Mines Ltd.	\$ 5,000,000	\$ —
Proceeds from sale of other investments	89,000	—
Decrease (Increase) in deferred expenditures ..	493,089	(328,249)
Increase in long-term debt	<u>3,000,000</u>	<u>—</u>
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE PERIOD	8,582,089	(328,249)
WORKING CAPITAL (DEFICIENCY) AT THE BEGINNING OF THE PERIOD	<u>(1,973,071)</u>	<u>(1,644,822)</u>
WORKING CAPITAL (DEFICIENCY) AT THE END OF THE PERIOD	<u>\$ 6,609,018</u>	<u>\$ 1,973,071</u>

**STATEMENT OF DEFERRED ADMINISTRATION EXPENDITURES
FOR THE FIFTEEN MONTH PERIOD
ENDED DECEMBER 31, 1980**

(with comparative figures for the twelve months ended September 30, 1979)

	December 31 1980	September 30 1979
EXPENDITURES:		
Administration fees	\$ 50,000	\$ 40,000
Interest and bank charges	68,545	222,852
Professional fees	47,909	37,222
Shareholders' reports, transfer and listing fees	22,845	15,364
Travel and general	45,772	3,515
Total expenditures	235,071	318,953
INTEREST INCOME	(816,843)	—
NET INCREASE (DECREASE) FOR THE PERIOD	(581,772)	318,953
BALANCE AT THE BEGINNING OF THE PERIOD	1,885,695	1,566,742
	1,303,923	1,885,695
DEDUCT EXPENDITURES EXPENSED DURING THE PERIOD	167,912	—
BALANCE AT THE END OF THE PERIOD	<u>\$ 1,136,011</u>	<u>\$ 1,885,695</u>

**STATEMENT OF DEFERRED DEVELOPMENT EXPENDITURES
FOR THE FIFTEEN MONTH PERIOD
ENDED DECEMBER 31, 1980**

(with comparative figures for the twelve months ended September 30, 1979)

	December 31 1980	September 30 1979
EXPENDITURES FOR THE PERIOD:		
Share of exploration costs on Cornwallis Island	\$ 90,551	\$ —
Land lease fees	—	9,296
LESS DIVIDENDS FROM PANARCTIC OIL LTD. ...	(1,869)	—
	88,682	9,296
BALANCE AT THE BEGINNING OF THE PERIOD	264,065	254,769
BALANCE AT THE END OF THE PERIOD	<u>\$ 352,747</u>	<u>\$ 264,065</u>

BANKENO MINES LIMITED

BANKENO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1980

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition and Deferred Expenditures

All activities of the Company are presently directed at the acquisition and development of mineral properties. Exploration, development and administration expenditures are deferred until such time as properties are brought into production, abandoned or sold. At such time the expenditures will be either depleted or expensed accordingly. Incidental income received during the development stage is credited against deferred expenditures.

Revenues are recognized and an income statement presented in years when sales of properties or investments occur, until such time as the Company's properties come into commercial production.

Deferred administration expenditures of \$167,913 related to the investment in Arvik Mines Ltd. were expensed in 1980.

Investments

Investments are carried at cost.

2. INVESTMENT IN PANARCTIC OILS LTD.:

	December 31 1980
829,111 common shares	\$ 2,737,623
23 common shares of Panarctic Oils Operators Ltd.	3
	<u>2,737,626</u>
Bankeno Mines Limited share of Panarctic Oils Ltd. capital expenditure program	6,330
Value assigned to share capital of Bankeno Mines Limited issued to Challenger International Services Ltd. as consideration for guarantee of payments of initial investment in Panarctic Oils Ltd.	32,500
Total (unchanged from September 30, 1979)	<u>\$ 2,776,456</u>

Panarctic Oils Ltd. was formed to explore the oil and gas potential in the Arctic Islands. It is financed jointly by private enterprises and the Government of Canada.

3. OIL AND GAS PERMITS:

In addition to its shareholdings in Panarctic, the Company has working and other interests in oil and gas exploratory permits in the Canadian Arctic Islands.

4. VALUE OF INVESTMENTS IN ARCTIC ISLANDS:

The amounts shown for investments, oil and gas permits and related deferred costs represent accumulated costs and are not intended to reflect current or future values.

5. INCOME TAXES:

Under the provision of the Income Tax Act, exploration and development expenditures are deductible in arriving at taxable income; any expenditures not deducted in one year may be carried forward to be applied against future income. The Company has approximately \$1,813,000 of expenditures so available, most of which is reflected on the accompanying balance sheet as investments and deferred expenditures. In addition, the Company has losses for tax purposes of approximately \$44,000 which may be carried forward and applied to reduce future taxable income.

These losses expire as follows:

1983	\$20,000
1984	\$24,000

6. LOAN PAYABLE TO COMINCO LTD.:

On October 18, 1979, the Company executed an agreement, amended on November 9, 1979, with Cominco Ltd., granting Cominco the option to purchase, by December 31, 1979, Bankeno's 25% shareholding in Arvik Mines Ltd. for \$5,000,000. This option was exercised. Cominco also loaned Bankeno \$3,000,000 and granted Bankeno the option to purchase a royalty interest of 25% of the net proceeds of production from the first mine and any other mines on the Arvik properties for \$7,500,000. The royalty option is exercisable at any time not later than three months after the completion date of construction and start-up of the first mine on the Arvik properties.

The \$3,000,000 loan bears no interest and is repayable four months after the completion date mentioned above, or on December 31st, 1982, whichever is the later, unless Bankeno exercises the royalty option set out above, in which case the loan will bear interest at the bank prime rate from the date of such exercise, and will be repayable, together with interest, out of the royalties receivable. Any balance of the loan outstanding at December 31, 1995 is payable in full on that date.

7. RELATED PARTY TRANSACTIONS:

During the year the Company received interest from Turbo Resources Limited, an affiliate, in the amount of \$676,726.

8. REMUNERATION OF DIRECTORS AND OFFICERS:

Remuneration of \$17,500 (1979 - Nil) was paid to directors and senior officers during the year.

AUDITORS' REPORT

To the Shareholders of
Bankeno Mines Limited:

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1980 and the statements of income and retained earnings, changes in financial position, deferred administration expenditures and deferred development expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
March 17, 1981

Deloitte Haskins & Sells

Chartered Accountants



CORPORATE INFORMATION

OFFICERS Robert G. Brawn, President
R. Michael Gray, Vice President
Ronald M. Maxwell, Vice President
Derek J. Moran, Treasurer
Vance Kenneth Travis, Chairman of the Board
Frederick A. Youck, Secretary

DIRECTORS Robert G. Brawn, Calgary, Alberta
Eric Connelly, Calgary, Alberta
R. Michael Gray, Toronto, Ontario
Ronald M. Maxwell, Calgary, Alberta
Vance Kenneth Travis, Calgary, Alberta

TRANSFER AGENTS Crown Trust Company
302 Bay Street
TORONTO, Ontario M5H 2P4

STOCK EXCHANGE Toronto Stock Exchange (Symbol BKE)

AUDITORS Deloitte Haskins + Sells
Calgary, Alberta

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1019 - 7th Avenue, S.W.
CALGARY, Alberta T2P 1A8

908 - 40 University Ave.
TORONTO, Ontario M5J 1T1

COUNSEL Moore Martin
Calgary, Alberta

BANK Royal Bank of Canada
Main Branch
Calgary, Alberta

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